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TAGS: [PGOV](#) [KDEM](#) [PHUM](#) [KPAO](#) [RS](#)
SUBJECT: RUSSIAN MEDIA NOT CONCERNED ABOUT BEING LABELED A
"STRATEGIC SECTOR"

REF: MOSCOW 499

1. (U) Classified by Deputy Chief of Mission Dan Russell for reason 1.4(d)

2. (U) Summary: The Russian Duma approved the second reading of the Strategic Sector draft law regulating foreign investment in 42 so-called "strategic sectors" -- including much of the media -- on March 21. If passed, the law would review and regulate foreign control of Russian media outlets, to include publishing houses and printing presses. It will not be retroactively applied, and therefore will not impact current holdings or foreign investments. Our media contacts are unconcerned, citing near total state ownership and influence of the major national broadcast media, as well as the fact that no single national print publication dominates the national market. The new legislation does not pertain to the internet, although the Duma is rumored to be drafting separate legislation for it. End Summary.

3. (U) On March 21, the Russian Duma approved draft legislation to restrict future foreign investment in areas of the economy deemed "strategic sectors" and defined as critical to Russia's national interests. The legislation, which after a third, perfunctory reading in the Duma, will have to be passed by the Federation Council before the president can sign it into law, includes some mass media: Russian television and radio networks that cover more than half of Russia, Russian print publications with circulations in excess of one million, publishing facilities, and printing presses. The new law requires foreign investors purchasing more than 50 percent of a "strategic" media company to seek permission from a government commission. If the investing company has foreign-government backing, it can buy no more than 25 percent without Russian government approval. The commission would have three to six months to decide each case. Current government legislation already restricts foreigners from controlling television stations. The original draft legislation included the internet, but it was later removed. The Duma announced that it will formulate separate legislation to address Russian cyberspace.

4. (U) In its current form, there are no provisions to apply the legislation retroactively. A handful of foreign companies currently have influential media holdings in Russia: Sanoma publishing house of Finland has a stake in iMedia (including The Moscow Times newspaper, Afisha lifestyle magazine, Russian Cosmopolitan, Esquire and other glossy magazines), the Wall Street Journal and the Financial Times own part of the business-oriented Vedomosti newspaper, Germany's Axel Springer publishes Russian Newsweek magazine, German-RTL group owns a blocking minority in Ren-TV's national network, and the British Guardian shares content with Gazeta newspaper.

5. (C) Media contacts with whom we've spoken about the law

appear unconcerned. Many newspaper journalists and managing editors were unaware of the draft legislation, but when we spoke with Petr Fadeyev, Editor-in-Chief of the liberal Gazeta daily newspaper, he said that the Russian government is less focused on controlling the print media because of its limited and waning audience. Editor-in-Chief of the English-language daily newspaper The Moscow Times Andrew McChesney told us his staff had looked into the legislation, and found it would have no impact on their operations. Although McChesney speculated that the new law -- if passed -- might eventually prevent Sonoma from expanding its presence in the Russian media market, he characterized the company as "unconcerned." Editor-in-Chief of BBC's Russian Service Konstantin Eggert told us that because the law would not be retroactive the BBC license for its Russian Service could not be revoked, but he admitted that "in practice, anything is possible."

16. (C) Glasnost Defense Fund's Head of Monitoring Boris Timoshenko said that the inclusion of printing presses and publishing companies may stem from the appearance -- apparently not infrequently -- of large quantities of leaflets and specially-designed newspapers (some faux editions of popular local newspapers) during the regional elections. These publications of unknown origins often contained content which violated election legislation and often criticized candidates who had been endorsed by the ruling party and local authorities. Timoshenko also stated that whatever the immediate goal of the law, preventing foreign control of publishing and printing would eliminate potential obstacles should the Russian Government at the federal or regional level wish to push critical publications out of the market.

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17. (C) TV-Center television network's News Editor Mikhail Ponomarev, told us he does not anticipate a concerned reaction from the Russian media community. With or without the new strategic sectors legislation, he said everyone realizes that the Russian Government is unlikely to allow national media outlets to end up in private hands, be they foreign or domestic. Likewise, Ponomarev claimed most large Russian media outlets do not need to court international investors, as actively as they once did, because "there is enough cash available domestically."
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